



DEPARTMENT OF ENERGY

Western Area Power Administration

Pick-Sloan Missouri Basin Program--Eastern Division-Rate Order No. WAPA-203

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of proposed firm power service and sale of surplus products formula rates.

SUMMARY: The Upper Great Plains Region (UGP) of the Western Area Power Administration (WAPA) proposes revised formula rates for the Pick-Sloan Missouri Basin Program--Eastern Division (P-SMBP--ED) firm power, firm peaking power service, and sale of surplus products. The existing formula rates for these services, under Rate Schedules P-SED-F13, P-SED-FP13, and P-SED-M1, expire on December 31, 2022. UGP is proposing to update the formula rates for firm power service under Rate Schedule P-SED-F14, firm peaking power service under Rate Schedule P-SED-FP14, and sale of surplus products under Rate Schedule P-SED-M2, effective January 1, 2023, through December 31, 2027.

DATES: A consultation and comment period will begin [INSERT DATE OF PUBLICATION IN THE *FEDERAL REGISTER*] and end [INSERT DATE 90 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]. UGP will present a detailed explanation of the proposed P-SMBP--ED formula rates and other modifications at a public information forum that will be held on June 15, 2022, at 8:30 a.m. MDT to no later than 10:30 a.m. MDT. UGP will host a public comment forum on June 29, 2022, at 11:00 a.m. MDT to no later than noon MDT.

The public information forum and the public comment forum will be conducted via WebEx. Instructions for participating in the forums will be posted on UGP's website at least 14 days prior to the public information and comment forums at:

www.wapa.gov/regions/UGP/Rates/Pages/2023-firm-rate-adjustment.aspx.

UGP will accept comments any time during the consultation and comment period.

ADDRESSES: Written comments and requests to be informed of Federal Energy Regulatory Commission (FERC) actions concerning the proposed rates submitted by WAPA to FERC for approval should be sent to: Lloyd Linke, Regional Manager, Upper Great Plains Region, Western Area Power Administration, 2900 4th Avenue North, 6th Floor, Billings, MT 59101-1266, or e-mail ugpfirmrate@wapa.gov. UGP will post information about the proposed formula rates and written comments received to its website at:

www.wapa.gov/regions/UGP/rates/Pages/2023-firm-rate-adjustment.aspx.

FOR FURTHER INFORMATION CONTACT: Linda Cady-Hoffman, Rates Manager, Upper Great Plains Region, Western Area Power Administration, 2900 4th Avenue North, 6th Floor, Billings, MT 59101-1266, telephone (406) 255-2920, e-mail cady@wapa.gov or ugpfirmrate@wapa.gov.

SUPPLEMENTARY INFORMATION:

On April 16, 2018, FERC confirmed and approved Formula Rate Schedules P-SED-F13, P-SED-FP13, and P-SED-M1, under Rate Order No. WAPA-180, on a final basis through December 31, 2022.¹ These schedules apply to firm power, firm peaking power service, and the sale of surplus products.

UGP intends the proposed formula rates to go into effect January 1, 2023. The proposed formula rates would remain in effect until December 31, 2027, or until WAPA supersedes or changes the formula rates through another public rate process pursuant to 10 CFR part 903, whichever occurs first.

The proposed formula rates would provide sufficient revenue to recover annual operation, maintenance, and replacement (OM&R) expenses, interest expense, irrigation assistance, and capital repayment requirements while ensuring repayment of the project within the cost recovery criteria set forth in Department of Energy (DOE) Order RA 6120.2. For more information on the proposed rates, please see the customer brochure located on UGP's website at:

¹ Order Confirming and Approving Rate Schedules on a Final Basis, FERC Docket No. EF18-2-000, 163 FERC ¶ 62,039 (2018).

Firm Power and Firm Peaking Power Services

The P-SMBP Fiscal Year 2021 Power Repayment Study (PRS) revenue requirement and current water conditions are the determining factors for this proposed rate adjustment.

The base component costs for the P-SMBP have increased primarily due to: (1) increased OM&R from WAPA and the generating agencies; (2) increased purchase power, including during the severe winter weather event in February 2021 (Winter Storm Uri); (3) pricing volatility; and (4) the loss of certain balancing authority revenues for services that WAPA no longer provides after joining the Western Energy Imbalance Service Market. Winter Storm Uri was not a water or generation issue; therefore, its costs only impact the base component.

The driver behind the P-SMBP drought adder component increase is the Army Corps of Engineers Annual Operating Plan projecting less than average generation for the next several years in the P-SMBP mainstem dams. Uncertainties with water inflows, hydro generation, and replacement energy prices continue to pose potential risks for meeting firm power contractual commitments.

The net effect of these adjustments to the base and drought adder components results in an overall increase to the P-SMBP--ED rate. A comparison of the current and proposed revenue requirements is shown in Table 1:

Table 1 - Summary of Current and Proposed Revenue Requirements

Firm Power Service	Current Under P-SED-F13 As of January 1, 2018 (in million \$)	Proposed Under P-SED-F14 As of January 1, 2023 (in million \$)	Percent Change
P-SMBP--ED Revenue Requirement)	\$230.1	\$268.4	16.6%
Pick-Sloan--WD ^{1/}	\$50.8	\$58.6	15.4%

^{1/} The Pick-Sloan--WD revenue requirement is recovered by the Loveland Area Projects rate schedules, which are to be adjusted accordingly in proposed Rate Order No. WAPA-202.

Under the current rate methodology, rates for PSMBP--ED firm power and firm peaking power service are designed to recover an annual revenue requirement that includes investment repayment, interest, purchase power, OM&R, and other expenses within the allowable period. The annual revenue requirement continues to be allocated equally between demand and energy.

A comparison of the current and proposed rates is shown in Table 2:

Table 2 — Summary of Current and Proposed Rates

Firm Power Service	Current Under P-SED-F13/ P-SED-FP13 As of January 1, 2018	Proposed Under P-SED-F14/ P-SED-FP14 As of January 1, 2023	Percent Change
P-SMBP—ED Composite Rate (mills/kilowatt-hour)	24.00	27.91	16.3%
Firm Demand (\$/kilowatt-month)	\$5.25	\$6.20	18.1%
Firm Energy (mills/kilowatt-hour)	13.27	15.27	15.1%
Firm Peaking Demand (\$/kilowatt-month)	\$4.75	\$5.70	20.0%
Firm Peaking Energy ^{1/} (mills/kilowatt-hour)	13.27	15.27	15.1%

^{1/} Firm Peaking Energy is normally returned. This charge will be assessed in the event Firm Peaking Energy is not returned.

As a part of the current and proposed rate schedules, UGP provides a formula-based adjustment of the drought adder component, with an annual increase of up to 2 mills per kilowatt-hour (kWh) each year. The 2 mills/kWh cap places a limit on the amount the drought adder component can be adjusted upward relative to associated drought costs included in the drought adder formula rate for any one-year cycle. Continuing to identify the firm power service revenue requirement using base and drought adder components will assist UGP in the presentation of future impacts of droughts, demonstrate repayment of drought-related costs in the PRS, and allow UGP to be more responsive to changes caused by drought-related expenses. UGP will continue to charge and bill its customers firm power and firm peaking power service

rates for energy and demand, which are the sum of the base and drought adder components.

The proposed adjustment updates the base component with present costs from a revenue requirement of \$230.1 million to \$235.4 million and increases the drought adder revenue requirement. For rate year 2023 the drought adder revenue requirement increases from zero to \$33.0 million.

A comparison of the current and proposed components is shown in Table 3:

Table 3 - Summary of P-SMBP--ED Charge Components

	Current Charges Under Rate Schedules P-SED-F13 and P-SED-FP13 As of January 1, 2018			Proposed Charges Under Rate Schedules P-SED-F14 and P-SED-FP14 As of January 1, 2023			Percent Change
	Base Component	Drought Adder Component	Total Charge	Base Component	Drought Adder Component	Total Charge	Percent Change
Firm Demand (\$/kilowatt-month)	\$5.25	\$0.00	\$5.25	\$5.45	\$0.75	\$6.20	18.1%
Firm Energy (mills/kWh)	13.27	0.00	13.27	13.36	1.91	15.27	15.1%
Firm Peaking Demand (\$/kilowatt-month)	\$4.75	\$0.00	\$4.75	\$5.00	\$0.70	\$5.70	20%
Firm Peaking Energy ^{1/} (mills/kWh)	13.27	0.00	13.27	13.36	1.91	15.27	15.1%

^{1/} Firm peaking energy is normally returned. This charge will be assessed in the event firm peaking energy is not returned.

Sale of Surplus Products

The Sale of Surplus Products rate schedule is formula based, providing for P-SMBP--ED Marketing to sell P-SMBP--ED surplus energy and demand products. If P-SMBP--ED surplus products are available, as specified in the rate schedule, the charge will be based on market rates plus administrative costs. The customer will be responsible for acquiring transmission service necessary to deliver the product(s) for which a separate charge may be incurred. The proposed

Rate Schedule, P-SED-M2, continues to allow for the sale of energy, frequency response, regulation, and reserves.

Legal Authority

Existing DOE procedures for public participation in power and transmission rate adjustments (10 CFR part 903) were published on September 18, 1985, and February 21, 2019.² The proposed action is a major rate adjustment, as defined by 10 CFR 903.2(d). In accordance with 10 CFR 903.15(a) and 10 CFR 903.16(a), UGP will hold public information and public comment forums for this rate adjustment. UGP will review and consider all timely public comments at the conclusion of the consultation and comment period and adjust the proposal as appropriate. The rates will then be approved on an interim basis.

WAPA is establishing the formula rates for P-SMPB--ED in accordance with section 302 of the DOE Organization Act (42 U.S.C. 7152).³

By Delegation Order No. 00-037.00B, effective November 19, 2016, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to WAPA's Administrator; (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary of Energy; and (3) the authority to confirm, approve, and place into effect on a final basis, to remand or to disapprove such rates to FERC. By Delegation Order No. S1-DEL-S4-2022, effective March 14, 2022, the Secretary of Energy also delegated the authority to confirm, approve, and place such rates into effect on an interim basis to the Under Secretary for Science (and Innovation). By Redelegation Order No. S4-DEL-OE1-2021-2, effective December 8, 2021, the Under Secretary for Science (and Innovation) redelegated the authority to confirm, approve, and place such rates into effect on an interim basis to the Assistant Secretary for Electricity. By Redelegation Order No. 00-002.10-05, effective July 8, 2020, the

² 50 FR 37835 (Sept. 18, 1985) and 84 FR 5347 (Feb. 21, 2019).

³ This Act transferred to, and vested in, the Secretary of Energy the power marketing functions of the Secretary of the Department of the Interior and the Bureau of Reclamation (Reclamation) under the Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), as amended and supplemented by subsequent laws, particularly section 9(c) of the Reclamation Project Act of 1939 (43 U.S.C. 485h(c)) and section 5 of the Flood Control Act of 1944 (16 U.S.C. 825s); and other acts that specifically apply to the projects involved.

Assistant Secretary for Electricity further redelegated the authority to confirm, approve, and place such rates into effect on an interim basis to WAPA's Administrator. This redelegation order, despite predating the December 2021 and March 2022 delegations, remains valid.

Availability of Information

All brochures, studies, comments, letters, memorandums, or other documents that UGP initiates or uses to develop the proposed formula rates will be available for inspection and copying at the Upper Great Plains Regional Office, located at 2900 4th Avenue North, 6th Floor, Billings, Montana. Many of these documents and supporting information are also available on UGP's website at: www.wapa.gov/regions/UGP/rates/Pages/2023-firm-rate-adjustment.aspx.

RATEMAKING PROCEDURE REQUIREMENTS:

Environmental Compliance

WAPA is in the process of determining whether an environmental assessment or an environmental impact statement should be prepared or if this action can be categorically excluded from those requirements.⁴

Determination Under Executive Order 12866

WAPA has an exemption from centralized regulatory review under Executive Order 12866; accordingly, no clearance of this notice by the Office of Management and Budget is required.

Signing Authority

This document of the Department of Energy was signed on May 4, 2022, by Tracey A. LeBeau, Administrator, Western Area Power Administration, pursuant to delegated authority from the Secretary of Energy. That document, with the original signature and date, is maintained by DOE. For administrative purposes only, and in compliance with requirements of the Office of the Federal Register, the undersigned DOE Federal Register Liaison Officer has been authorized to sign and submit the document in electronic format for publication, as an official

⁴ In compliance with the National Environmental Policy Act (NEPA) of 1969, as amended, 42 U.S.C. 4321-4347; the Council on Environmental Quality Regulations for implementing NEPA (40 CFR parts 1500-1508); and DOE NEPA Implementing Procedures and Guidelines (10 CFR part 1021).

document of the Department of Energy. This administrative process in no way alters the legal effect of this document upon publication in the *Federal Register*.

Signed in Washington, DC, on May 18, 2022.

Treena V. Garrett,

Federal Register Liaison Officer,

U.S. Department of Energy.

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